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FM AMEMBASSY JAKARTA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9825
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS PRIORITY
RUEHBJ/AMEMBASSY BEIJING 5308
RUEHBY/AMEMBASSY CANBERRA 2914
RUEHLM/AMEMBASSY COLOMBO 1207
RUEHKA/AMEMBASSY DHAKA 1178
RUEHNE/AMEMBASSY NEW DELHI 2120
RUEHPB/AMEMBASSY PORT MORESBY 3925
RUEHUL/AMEMBASSY SEOUL 4823
RUEHKO/AMEMBASSY TOKYO 2376
RUEHWL/AMEMBASSY WELLINGTON 2960
RUEHHK/AMCONSUL HONG KONG 2889
RUEHPT/AMCONSUL PERTH 1050
RHEHNSC/NSC WASHDC
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SUBJECT: PRESIDENT'S ANNUAL NATIONAL DAY ADDRESS FOCUSES ON
EDUCATION, POVERTY ALLEVIATION

REF: JAKARTA 1555 AND PREVIOUS

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¶1. (U) SUMMARY: President Yudhoyono delivered his annual National Day speech on August 15. The speech was given in Parliament and the Ambassador attended. Before the President's speech, the Speaker--an influential figure in his own right--addressed the gathering, underscoring his support for more education spending.

¶2. (U) SUMMARY (Con'd): Yudhoyono pledged to increase education spending in order to reach the constitutionally mandated 20% of the total budget. He highlighted the results of his economic development strategy and outlined efforts to alleviate poverty through improvement of basic services and rural development, and accelerating economic growth through infrastructure. He also mentioned agriculture and energy development, and said he would intensify his anti-corruption drive and bureaucratic reform efforts in order to solidify democracy, defense and domestic security. The speech was an important one for the President as he gears up for his re-election effort next year, but it did not break new ground. END SUMMARY

SPEAKER'S REMARKS

¶3. (U) Speaker of the House Agung Laksono gave opening remarks pledging support to the President's commitment to reach the 20% of the State Budget requirement for education as mandated by the Indonesian Constitution. That said, he was critical of SBY's energy policy with regard to shifting working hours in the manufacturing industry to the weekend in order to alleviate the electric power crisis, calling it ineffective and a deterrent to investment.

¶4. (U) The Speaker touched on foreign affairs, mentioning a recent letter sent by some 40 members of the U.S. Congress calling for the release of two Papuans charged with sedition for raising a separatist-linked flag. Laksono said the Indonesian Constitution provides for basic protection of human rights and "we do not wish to have excessive

intervention by foreign parties in Indonesia's internal affairs, which would belittle Indonesia as a sovereign and democratic state."

SBY HIGHLIGHTS HIS EFFORTS

15. (U) Taking the stage, the President highlighted the results of his government's "growth with equity" economic development strategy and the tripling of poverty alleviation program budgets over the past four years. He pointed to a rapid decline in unemployment (from 10.5% in February 2006 to 8.5 percent in February 2008) and to reduced poverty levels (from 17.7% in 2006 to 15.4% in March 2008, a ten-year low).

KEY POINTS

16. (U) The speech also focused on education, poverty alleviation, subsidies, infrastructure investment, and corruption eradication. Key details included the following:

--Education remains the top priority and will receive the greatest percentage of the 2009 budget (20%) in order to raise the quality of education and make Indonesia more competitive in the 21st century. This development was prompted by an August 13, 2008, Constitutional Court decision, which ruled that the 2008 state budget violated the Constitutional requirement that at least 20% of central and regional government budgets be directed to education. SBY acknowledged the difficulty of carrying out this extra spending, given extremely tight budget constraints. Because of this, the budget deficit would increase to Rp. 99.6 trillion, or 1.9% of GDP. (Note: Key 2009 budget assumptions include growth of 6.2%, inflation of 6.5%, and an

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exchange rate of Rupiah 9100:1USD.)

--Improving Basic Services in the health, education and rural development sectors receive Rp. 142.8 trillion. The poverty alleviation program receives a budget allocation of Rp. 66.2 trillion, with rural development receiving Rp. 17 trillion. It's four main targets are: lowering the poverty level to 12%-14%, raising basic education, extending free health services to the poor, and widening the accessibility of affordable transportation services.

--Subsidies remain a significant portion of the budget and are projected to total 27.8% of the budget. This rate could rise if world oil prices exceed the \$100/barrel budgetary assumption. Subsidies are to be allocated as follows: fuel - Rp. 101.4 trillion, electricity - Rp. 60.4 trillion; and food, fertilizer and seedlings - Rp. 32 trillion. Acknowledging that energy subsidies disproportionately benefit those who own cars and high wattage houses, SBY said the GOI will continue to amend its subsidy policy, based on developments in global oil prices, in order to reduce budget leakage and prevent misdirection of budgetary resources.

--Infrastructure funding, which had increased from Rp. 21.9 trillion in 2005 to Rp. 58 trillion in 2008, would receive Rp. 39.5 trillion.

--Eradicating corruption through bureaucratic reform remains high on SBY's priorities. He will allocate Rp. 16.7 trillion to the 2009 general elections to ensure they are conducted in a fair, impartial and peaceful fashion.

--National defense remained a priority in the budget.

17. (U) Mission will provide the text of the speech to EAP/MTS.

HUME